

Message Text

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ORIGIN USIA-15

INFO OCT-01 EUR-12 ISO-00 RSC-01 /029 R

66604

DRAFTED BY USIA/IOP/C:THKNEEBONE

APPROVED BY EUR/EX:HWGEISEL (INFO)

EUR/SOV:RECOMBS (PHONE)

EUR/EE:CBROWN (PHONE)

USIA/IOP/C:DIDRUCKER

USIA/IEE:JMANDROS (PHONE)

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R 051946Z DEC 74

FM SECSTATE WASHDC

TO AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

UNCLAS STATE 267154

FOR P AND C

FOLLOWING MESSAGE SENT ALL USIS PRINCIPAL POSTS FROM USIA

WASHDC 02 DEC 74:

QUOTE UNCLAS USIA 25697

USIAC

INFORM ALL BRANCH POSTS

INFO GUIDE 74-20

E.O. 11652: N/A

SUBJECT: INTERNATIONAL ENERGY POLICY: KEY SPEECHES BY

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SECRETARIES KISSINGER AND SIMON

REFERENCE: USIA 22390-C (NOTAL)

1. POSTS' RESPONSE TO REFTTEL INDICATED WIDESPREAD UNCERTAINTY ON MANY ASPECTS USG INTERNATIONAL ENERGY POLICY. WE BELIEVE RECENT SPEECHES BY SECRETARY KISSINGER (NOV. 14) AND SECRETARY SIMON (NOV. 18) CONSTITUTE MOST EXTENSIVE EXPRESSION TO DATE OF U.S. INTERNATIONAL ENERGY POLICY. WHILE FULL TEXTS THESE SPEECHES BEING SENT ALL POSTS, THERE FOLLOWS SUMMARY OF KEY ELEMENTS PRESENT USG POLICY, BASED ON THE TWO SPEECHES. POLICY CONSISTS FOUR MAJOR ELEMENTS: CONSUMER COOPERATION, FINANCIAL PROTECTION OF CONSUMER COUNTRIES, FINANCIAL AID FOR LDC'S, AND CONSERVATION.

2. CONSUMER COOPERATION. LAUNCHED AT ENERGY CONFERENCE IN WASHINGTON FEBRUARY 1974, THIS EFFORT TOOK FORM IN FOUNDING OF INTERNATIONAL ENERGY AGENCY ON NOVEMBER 15. PROGRAM OF AGENCY IS TO EFFECT CONSUMER UNITY, BOTH TO LIMIT DANGER OF LOSS OF SUPPLY AND STRENGTHEN EFFORTS TO LOWER OIL PRICES. IT WILL ALSO BE FOCUS OF LONG-TERM COOPERATIVE EFFORTS RELATED TO CONSERVATION, DEVELOPMENT ALTERNATE ENERGY SOURCES, ENERGY RESEARCH AND DEVELOPMENT AND URANIUM ENRICHMENT.

3. FINANCIAL PROTECTION OF CONSUMER COUNTRIES. OECD NATIONS COLLECTIVELY WILL RECEIVE BULK OF MASSIVE EXCESS OIL REVENUES WHICH OPEC NATIONS HAVE AVAILABLE FOR INVESTMENT. THIS WILL OCCUR WITHOUT NEED FOR SPECIAL GUARANTEES. NEEDED ARE STANDBY ARRANGEMENTS TO INSURE THESE FUNDS ARE DISTRIBUTED AMONG INDIVIDUAL OIL-IMPORTING STATES SO AS TO AVOID UNNECESSARILY SEVERE ECONOMIC DIFFICULTIES IN PARTICULAR COUNTRIES. INDUSTRIAL COUNTRIES THEMSELVES MUST TAKE THE LEAD AND ASSUME MUCH OF BURDEN FOR IMPLEMENTING SUCH PROGRAM, WHICH SHOULD BE SEEN AS PART OF AN OVERALL STRATEGY AIMED AT ENERGY CONSERVATION, THE DEVELOPMENT OF NEW ENERGY SOURCES AND EVENTUALLY LOWER OIL PRICES. UNITED STATES HAS PROPOSED SETTING UP FINANCIAL SAFETY NET IN FORM OF FACILITY ASSOCIATED WITH OECD WHICH WOULD REDISTRIBUTE UP TO \$25 BILLION IN 1975 AND AN EQUAL AMOUNT IN 1976. SECRETARY KISSINGER STATED "THE FACILITIES WILL NOT BE A NEW AID INSTITUTION TO BE FUNDED BY ADDITIONAL TAXES. IT WILL BE A MECHANISM FOR RECYCLING, AT COMMERCIAL INTEREST RATES, UNCLASSIFIED

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FUNDS FLOWING BACK TO THE INDUSTRIAL WORLD FROM OIL PRODUCERS." IT WOULD NOT BE APPROPRIATE TO LOCATE SUCH FACILITY IN IMF BECAUSE OF ITS SCALE AND ITS PLACE IN OVERALL STRATEGY OF DEVELOPED NATIONS TO DEAL WITH HIGHER OIL PRICES.

4. FINANCIAL AID FOR MSA'S. THERE ARE ABOUT 30 LESS DEVELOPED NATIONS WHICH HAVE BEEN THE MOST SERIOUSLY AFFECTED BY HIGHER OIL AND OTHER PRICES. THEY DESPERATELY NEED ADDITIONAL ASSIS-

TANCE, AMOUNTING TO ROUGHLY \$1.5 BILLION IN 1975, TO AVOID IRREPARABLE DAMAGE TO THEIR DEVELOPMENT PLANS. GIVEN THEIR GROWING DEBT SERVICE BURDEN, THEY NEED THIS ASSISTANCE ON CONCESSIONAL TERMS. TO FILL GAP, WE HAVE PROPOSED NEW IMF FACILITY FOR MSA'S WHICH WOULD LEND ON TERMS CONSIDERABLY BETTER THAN EXISTING IMF OIL FACILITY. FUNDS FOR NEW FACILITY WOULD COME FROM INTERESTED COUNTRIES, PARTICULARLY OIL PRODUCERS. TO HELP SUBSIDIZE INTEREST RATE PAID BY BORROWING NATIONS, IMF COULD ITSELF CONTRIBUTE PROFITS FROM SALES OF PORTION ITS GOLD HOLDINGS.

5. CONSERVATION. A KEY AND VITAL CONCEPT RUNNING THROUGHOUT KISSINGER AND SIMON SPEECHES IS CONSERVATION. CONSUMER NATIONS TAKING PART IN \$25 BILLION SAFETY NET FUND WOULD BE REQUIRED DEMONSTRATE THEIR EFFORTS RESTRAIN USE OF IMPORTED OIL, AND SECRETARY KISSINGER STRESSED IT IS IMPOSSIBLE TO CONVINCE PRODUCER COUNTRIES OF NEED TO REDUCE PRICES UNTIL CONSUMERS DEMONSTRATE THEY ARE MAKING STRENUOUS EFFORTS REDUCE CONSUMPTION OF OIL. AS MEANS OF COORDINATING CONSERVATION EFFORTS U.S. PROPOSES ESTABLISHMENT OF AN INTERNATIONAL CONSERVATION AGREEMENT THAT "WOULD LEAD TO SYSTEMATIC AND LONG-TERM SAVINGS ON AN EQUITABLE BASIS" (KISSINGER).

6. FAR AS U.S. CONSERVATION EFFORTS ARE CONCERNED, PRESIDENT FORD OUTLINED INITIAL CONSERVATION PLANS IN HIS ECONOMIC MESSAGE TO CONGRESS ON OCTOBER 3. THESE EFFORTS INCLUDE: CREATION OF ENERGY RESOURCES COUNCIL, CHAIRED BY INTERIOR SECRETARY ROGERS C.B. MORTON, AND CHARGED WITH TASK OF REDUCING U.S. OIL IMPORTS BY ONE MILLION BARRELS PER DAY BY END OF 1975; ELIMINATION OF OIL-FIRED PLANTS FROM NATION'S BASE-LOADED ELECTRICAL CAPACITY; AND A GOVERNMENT-INDUSTRY PROGRAM TO ACHIEVE 40 PERCENT INCREASE IN GASOLINE MILEAGE WITHIN FOUR-YEAR DEVELOPMENT DEADLINE. IN HIS SPEECH, SECRETARY UNCLASSIFIED

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KISSINGER ANNOUNCED A U.S. COMMITMENT TO REDUCE IMPORTS FROM 7 MILLION TO ONE MILLION BARRELS A DAY OVER THE NEXT DECADE.

7. IT MUST BE REALIZED THAT MASSIVE REDUCTIONS IN ENERGY CONSUMPTION IN UNITED STATES CAN ONLY BE REALIZED THROUGH BASIC CHANGES IN SOCIO-ECONOMIC SYSTEM, AND TO ACHIEVE THAT GOAL REQUIRES CONSENSUS OF SOCIETY AND JOINT ADMINISTRATIVE-LEGISLATIVE ACTION. IT CANNOT BE ACHIEVED BY FIAT AND IT CANNOT BE ACHIEVED OVERNIGHT. THERE IS GROWING REALIZATION, HOWEVER, OF NEED TO REDUCE ENERGY CONSUMPTION PER CAPITA AND EFFORTS TO DEFINE AREAS IN WHICH REDUCTIONS WILL TAKE PLACE ARE UNDERWAY. KEOGH UNQUOTE KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ENERGY, POLICIES, SPEECHES
Control Number: n/a
Copy: SINGLE
Draft Date: 05 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE267154
Document Source: CORE
Document Unique ID: 00
Drafter: THKNEEBONE
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740353-0853
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741257/aaaabwqj.tel
Line Count: 166
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN USIA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: USIA 22390-C (NOTAL)
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 03 OCT 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 OCT 2002 by ReddocGW>; APPROVED <13 FEB 2003 by izenbei0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INTERNATIONAL ENERGY POLICY: KEY SPEECHES BY UNCLASSIFIED
TAGS: ENRG, US, (KISSINGER, HENRY A), (SIMON, WILLIAM E)
To: BUCHAREST MULTIPLE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005